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Committee on Financial Services

Michael G. Oxley, Chairman

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Subcommittee to Examine Dysfunctional Auto Insurance Markets

The House Financial Services Oversight and Investigations Subcommittee, chaired by Rep. Sue W. Kelly (NY), will hold a hearing at 2 p.m. August 1 in **room 2220** of the Rayburn Building to review the lack of consumer choice in states with overly burdensome auto insurance regulation.

"The high cost of auto insurance has become a real issue of concern for drivers and insurance companies in many areas of the country," said Kelly. "Unfortunately, drivers in New Jersey and Massachusetts suffer from less competition as a result of the 'solutions' their legislatures have instituted. Because of this, 20 percent of New Jersey drivers will lose their current coverage and two-thirds of the top 15 national auto insurance companies avoid the Massachusetts market.

"Consumers are not well served by solutions that result in less competition. This is why our committee must take a close look at the issues involved."

The hearing will focus on the lack of consumer choice in the New Jersey and Massachusetts automobile insurance markets. Just last month, two of the largest automobile insurers in the country announced they were being forced to withdraw from the New Jersey market. Combined, these companies write policies for more than one million of the state's five million drivers.

These withdrawals will not only affect the companies' one million current policyholders, but will limit the future choices of every driver in the state. The Massachusetts market is also experiencing significant problems where approximately two-thirds of the top national auto insurance companies write minimal or no business.

A recent study by a Washington research group found that states with excessive regulation do not benefit from reduced costs, but instead suffer from reduced availability of coverage, increased price volatility and reduced quality and variety of services available to consumers. Prohibitive regulations in some states have caused insurance companies to pull out of the market, reducing consumer choice and weakening competition.

"Regulation becomes a real problem when it goes from protecting to harming consumers," said Committee Chairman Michael G. Oxley. "How do you explain to the more than one million New Jersey consumers that are about to lose their automobile insurance that price controls are intended to help them? Pushing insurance companies out of the state hampers competitive pricing and limits consumers' ability to take advantage of the benefits of a strong and highly competitive industry."

The Subcommittee will hear from industry representatives and experts on the impact of various state regulatory structures on consumer choice in auto insurance and the potential harm consumers face in states where insurers are being driven out by over-regulation.

Scheduled to testify are:

- David F. Snyder, Assistant General Counsel, American Insurance Association
- Robert L. Zeman, Vice President & Assistant General Counsel, National Association of Independent Insurers
- Thomas B. Ahart, Ahart, Frinzi, & Smith Insurance on behalf of Independent Insurance Agents of America
- Robert E. Litan, Vice President and Director, Economic Studies, Brookings Institution; Co-Director of the AEI-Brookings Joint Center on Regulatory Studies
- J. Robert Hunter, Director of Insurance, Consumer Federation of America

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